



Do We CAIR?

Overview of Clean Air Interstate Rule (CAIR) and its Impacts on Connecticut

Presentation to SIPRAC

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Regulatory History

- **1/30/04 EPA initially proposed the Interstate Air Quality Rule.**
- **6/10/04 Now called CAIR, EPA proposed additional details and rule text supplementing its January 2004 proposal.**
- **5/12/05 EPA published the final CAIR rule in Federal Register.**



EPA's Justification for CAIR

In order to address long-range transport of air pollution, EPA found 28 states that “contribute significantly” to nonattainment of the NAAQS for PM_{2.5} and/or 8-hour ozone in downwind states.

Significant Contribution Determination Process

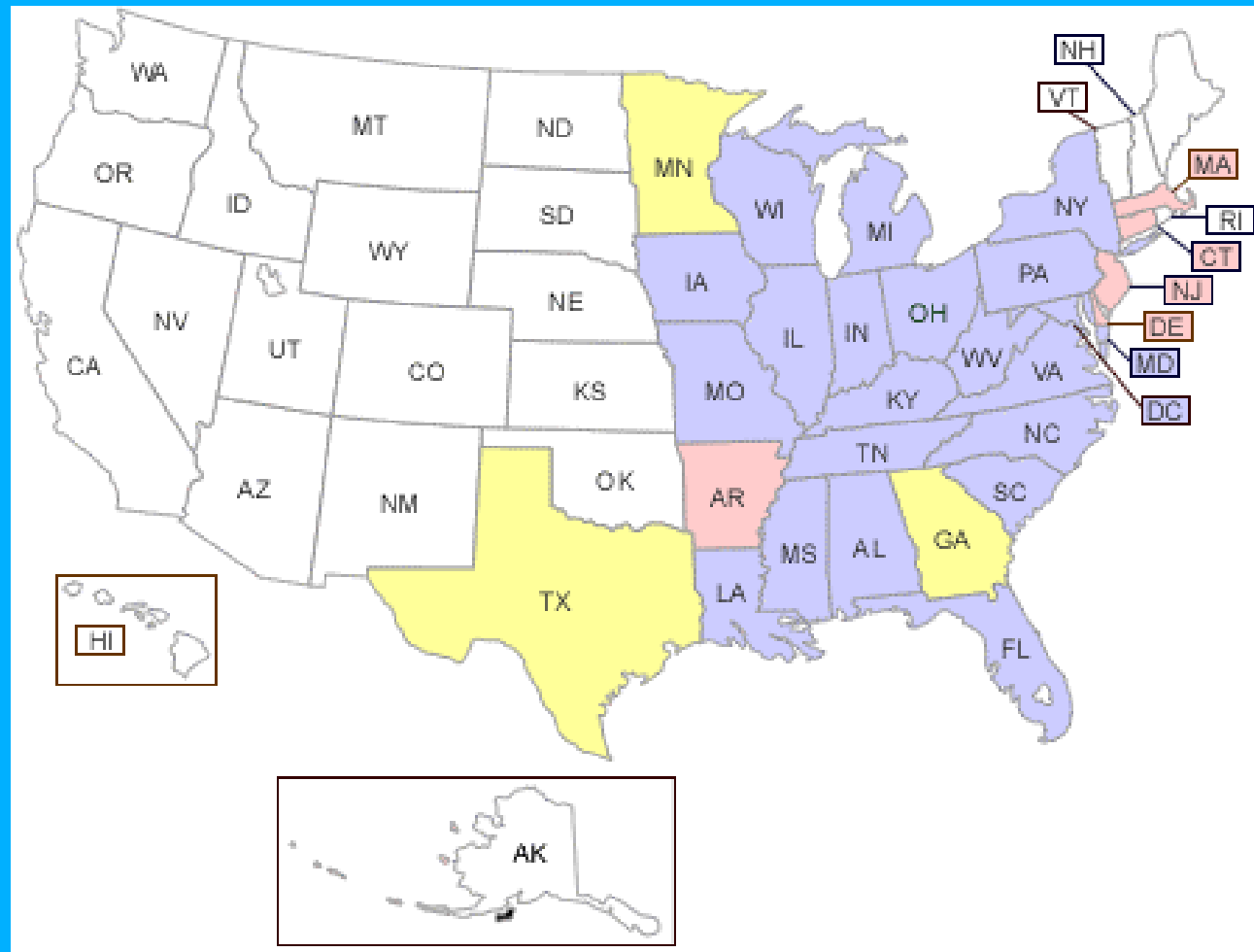
- **Determine if state's contribution to downwind 8-hour ozone or PM_{2.5} nonattainment in another state exceeds significance level threshold; and**
- **Determine whether amounts of NO_x or SO₂ from EGUs may be eliminated through controls that, on a cost-per-ton basis, may be considered to be highly cost effective.**



EPA's Findings

- 1) SO₂ and NO_x emissions from 23 states and D.C. contribute to unhealthy levels of fine particles in downwind states.**
- 2) NO_x emissions from 25 eastern states and D.C. contribute to unhealthy levels of 8-hour ozone in other downwind states.**

States Covered by CAIR



 = Ozone and $\text{PM}_{2.5}$ – Annual caps for SO_2 & NO_x ; ozone season cap for NO_x

 = Ozone only – Ozone season cap for NO_x ;  = $\text{PM}_{2.5}$ only – Annual caps for SO_2 & NO_x

Major changes from Proposed Rule to Final Rule

- **FUEL ADJUSTMENT FACTOR (FAF)**
(coal:1.0; oil:0.6; nat. gas:0.4); All state budgets recalculated.
- **States may ONLY participate in a trading program for which an applicable finding is pertinent.**
- **Phase I date for NOx changed from 2010 to 2009.**
- **Approx. 200,000 ton NOx compliance supplement pool established for annual program.**

Major changes (cont.)

- **A new NOx ozone season trading program established for 25 states. The proposed ozone season requirements applied only to Connecticut.**
 - **The CAIR ozone season trading program will replace the NOx SIP Call trading program.**
 - **Non-EGUs (and EGUs <25MW) covered by NOx SIP Call can be included in CAIR ozone season trading program.**
 - **Non-EGU budgets must be the same or smaller than current SIP Call budgets.**

Major changes (cont.)

- **Delaware, Massachusetts, New Jersey and Arkansas are now subject only to the ozone season NO_x requirements of CAIR.**
- **EPA has proposed to include Delaware and New Jersey in annual PM_{2.5} program for SO₂ and NO_x as well.**
- **CAIR no longer applies to Kansas.**

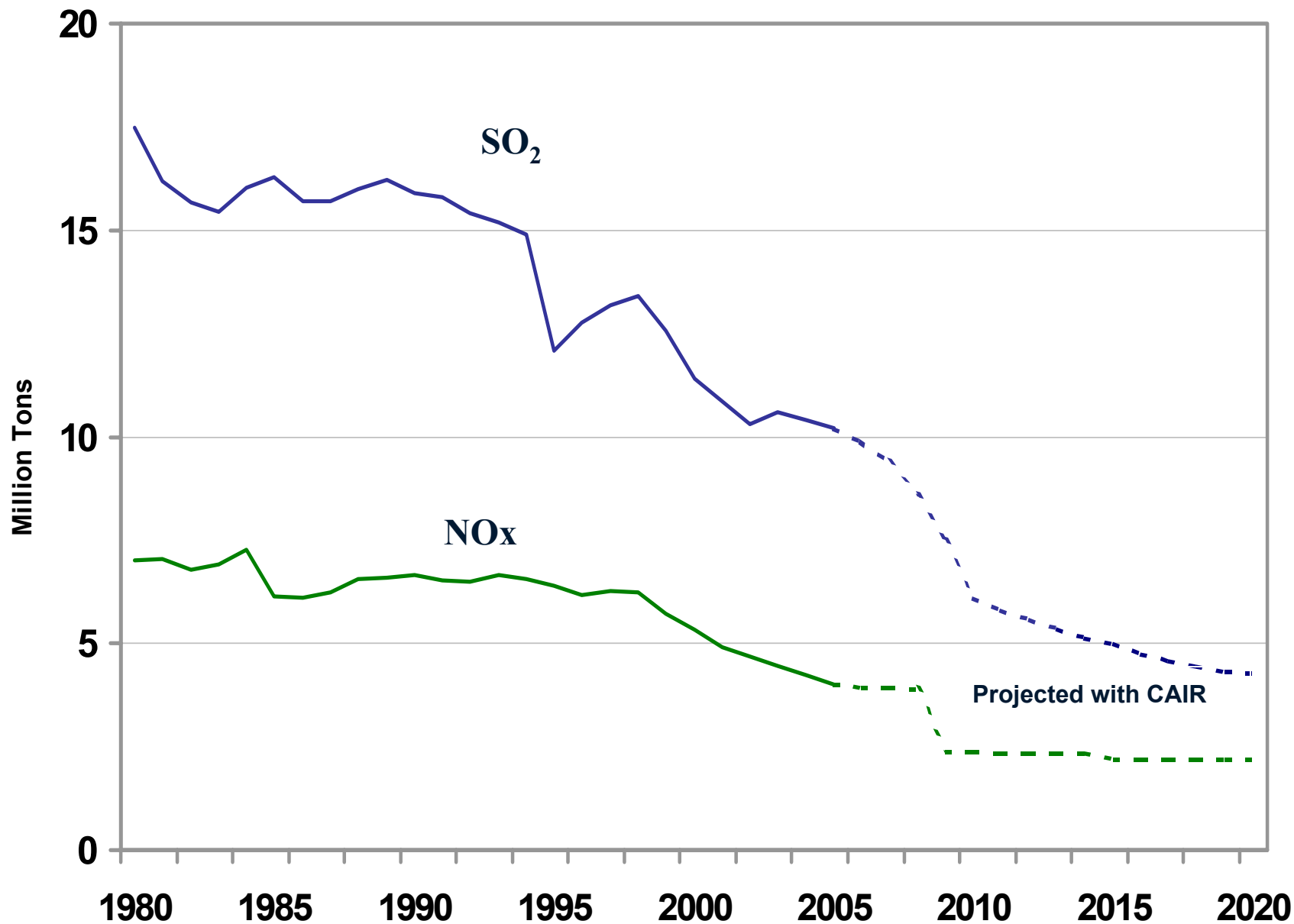
Major changes (cont.)

- **EPA postponed making final determinations on:**
 - 1) CAIR as a “better-than-BART” alternative; and**
 - 2) its view on the interaction between section 110(a)(2)(D) and section 126 of the Clean Air Act.**

Other items of interest

- **No flow control;**
- **CAIR ozone season NOx model rule allows sources to meet allowance holding requirements at the facility level;**
- **CAIR ozone season NOx allowances may not be used for compliance with annual NOx reduction requirements (and vice versa); and**
- **SO₂ allowance retirement ratios are 2:1 from 2010-2014 and 2.86:1 from 2015 and beyond.**

Annual Nationwide SO₂ and NO_x Emissions from the Power Sector



Why We CAIR in Connecticut?

- **Much of Connecticut's pollution is transported here from upwind states.**
- **EPA found that Connecticut contributes significantly only to downwind 8-hour ozone nonattainment; therefore, Connecticut is only subject to ozone season NOx requirements.**

Why We CAIR in CT?

(cont.)

- **CT's proposed EGU CAIR budgets (w/o FAF): 4360 tons-2010, 3633 tons-2015:**
 - **CT's revised EGU CAIR budgets (w/FAF): 2559 tons-2009 and beyond; and**
 - **The final CT CAIR budget is a 43% reduction from the current CT NOx SIP Call Budget (4466 tons). However, CT's actual 2004 SIP Call emissions (both EGUs and non-EGUs): 2195 tons.**
- **CT may ONLY participate in the ozone season NOx trading program.**
- **CT gets 0 compliance supplement pool allowances but can bank pre-2009 NOx SIP Call allowances into CAIR ozone season program.**

Why We CAIR in CT?

(cont.)

- **Preliminary data indicate that 2009 CAIR ozone season required reductions are approximately 10-20%, much less than the >50% reduction that EPA attributes to the annual NOx program in 2009.**

CT CAIR Compliance Options

- **Meet state's emission budget entirely from EGU reductions, by requiring EGUs to participate in EPA-administered interstate model cap-and-trade system. Other NOx SIP Call sources can also be included in EPA's trading program; or**
- **Meet an individual state emissions budget using measures of the state's choosing, subject to EPA approval.**


What's next? (General)

- **EPA to provide guidance document on interplay between CAIR ozone season and NOx SIP Call trading programs and MWC applicability.**
- **States must submit SIP revisions for meeting CAIR requirements w/in 18 months after signature of Final Rule (September 2006).**
- **Congress is still trying to pass multi-pollutant legislation (I.e., Clear Skies Act).**
- **Possible regional initiatives to reduce emissions being discussed.**
- **Will CAIR be challenged?**



What's Next in CT?

- **Evaluate whether or not to file a petition for reconsideration or petition for judicial review (either must be filed within 60 days of Final Rule's publication in the Federal Register);**
- **Determine which CAIR compliance option to pursue; and**
- **Investigate interplay between current non-ozone season and ozone season requirements and pursue appropriate course of action (e.g., CT non-ozone season cap-and-trade program).**



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